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THE HUNGARIAN BUDGET FOR 1954

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The national budget for 1954 was debated by the National Assembly and approved on 15 June 1954. In the past, the annual budget was taken up in the December preceding the budget year, a practice which was detrimental to budget planning. Since the plans of the enterprises were prepared after the budget was approved by the National Assembly, those plans could not be used in planning the budget. Economic plans were repeatedly amended by the end of the year, but, it was still impossible to conform to the revised budget appropriations.

Another disadvantage was the fact that the budget for the preceding year could not be analyzed in planning the new one. At the time of collating the detailed quotas for planning the budget and during the budget debates, data from only three quarters of the year could be used.

The government wanted to present this year's budget to the National Assembly in March or April. However, to obtain the guidance of the Third Congress of the Hungarian Workers Party, the presentation was delayed. After this year the budget will be debated in March or April, to make it possible for the new budget to go before the National Assembly simultaneously with the report on the old budget.

The report on the implementation of the 1953 budget clearly shows two patterns: the first part of the report, covering the first half of the year, shows the effects of faulty financing, resulting from former economic policies; the other part, covering the second half of the year, reflects the first successes of the new government program.

From year to year, the implementation of the budget became increasingly more difficult, because the enterprises, unable to earn the planned profits, could not make the profit payments prescribed by the budget. In the first half of 1953, the enterprises earned only 37 percent of the budget quota, largely because of the overindustrialization and failure to cut production costs sufficiently.

Certain ministries repeatedly have been unable to spend the investment funds allocated to them, because necessary materials were unobtainable. Only 40 billion forints of the 85-billion-forint investment fund was spent in the first 3 years of the augmented Five-Year Plan. In the first half of 1953, only 39 percent of the total budget allocation for investments and 19 percent of the long- and medium-term credits for investments in the cooperative sector of agriculture were used. This shows that financial allocations were not consonant with necessary supply of materials and tools.

A higher personal tax was planned than was justified and, therefore, only 26 percent of the planned total was collected.

As a result of trying to correct previous errors and to carry out the new government program, there have been marked departures from the 1953 budget, as shown in the following table (in million forints):

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	Planned	Actual
Revenues	52,337	49,890
Expenditures	51,267	49,028
Surplus	1,070	862

The difference of about 2.5 billion forints between estimated and planned revenues occurred because actual personal tax collection was one billion forints short of plan figures, and profit payments of the enterprises, about 4 billion forints short. However, these shortages were partially made up for by an excess of 2.5 billion forints over budget estimates for other sources of revenue. Furthermore, the shortage in revenues was accompanied by a commensurate cutback in expenditures. As a result, relative conformity with the allocations of the preceding year was maintained.

Changes in the ratios of budget expenditures reflect the beginning of the implementation of the new government program in the second half of 1953. The most significant changes came in investments. Appropriations for investments represented 37 percent of total planned budget expenditures, but actual investment expenditures amounted to only 32 percent of total actual expenditures. Moreover, investments in heavy industry dropped somewhat, making it possible to increase investments in agriculture and light industry. Social and cultural investments were increased as well.

A review of the 1954 budget clearly reflects the change of economic policy. Revenues and expenditures tend to be at last year's levels, or slightly lower, as shown below:

	1953 Actual (in million forints)	1954 Planned	Percentage Ratio of 1954 Budget Figures to 1953 Actual Figures
Revenues	49,890	49,684.4	99.6
Expenditures	49,028	47,890.7	97.7

An entirely different trend appears in the budgets for the period 1949-1953. The table below shows the year to year increases of national income and budget revenues (in percent):

Year	Increase in National Income Over Preceding Year	Increase in Budget Revenues Over Preceding Year
1950	20.0	98.0
1951	23.0	40.0
1952	4.7	44.0
1953	12.0	22.6

The budget revenues increased at a greater rate than the national income during this period. The most conspicuous example is the year 1952. Although the national income increased only 4.7 percent over 1951 because of poor production, budgetary revenues rose by 44 percent during 1952.

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This is an indication of a faulty policy of concentrating on accumulating money for investment in heavy industry at the expense of individual consumption.

The table below gives a breakdown of the 1954 budget (in percent):

Appropriation	Percentage of Total Appropriations	Relationship to 1953 Appropriation
National Economy (including 29 percent for investment, 24 percent of which goes to agricultural investment)	60	- 2.45
Social and Cultural Work	21	14.5
National Defense	11	- 13.5
Law Enforcement	4	- 2.4
Administration	4	--
Total	100	

The purposes of the change in the distribution of appropriations were the following: (1) to reduce capital accumulation so that the individual consumer would benefit, (2) to use accumulated capital to aid agriculture and expand the food industry and other light industries more rapidly, (3) to reduce public consumption [government expenditures] so that individual consumption would increase, and (4) to concentrate on the areas of public consumption which directly benefit individual consumption.

Since 1953, personal incomes have been steadily increasing. However, extensive changes in production and in the use of the national income are required to obtain the consumer goods, building materials, and tools necessary for earning personal income.

The increase in personal income is significant, because it is concomitant with a reduction of budget revenues. When prices are reduced, turnover tax receipts from the food industry and otherindustries decrease; when agricultural prices rise, the production costs of the food industry and purchasing organizations also rise, while the revenues from sales either remain unchanged or decrease as the result of a reduction in the prices of consumer goods. This also further narrows the gap between production costs and the revenues from the sale of products and in turn reduces the turnover tax and profit payments of the enterprises. A decrease in personal taxes and bond subscriptions means a direct drop in budget revenues.

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Budget revenues, however, will drop only slightly as compared to last year. This is possible because the national income will increase 3-4 percent, and the production of consumer goods will increase over 16 percent. When the production stress is shifted, and the consumer-goods industries develop even more, government revenues will also increase, because the earnings of the enterprises will expand at a greater rate than if production for industrial consumption were stressed.

However, there must be curbs to prevent too extensive cutbacks in production for industrial consumption. If this practice were continued, there would not be enough money for financing investments or social and cultural affairs. Real income must be increased; i.e., prices must be lowered not at the expense of the budget, but rather by reductions in production costs. Industry must slow its pace and its shops in order; the economical use of materials and labor must be enforced.

An indispensable condition of making the budget work is that personal taxes must be paid promptly and in full. Although personal taxes represent only 8 percent (4,696,000,000 forints) of budget revenues, they cannot be dispensed with.

This year, investments were reduced, but allocations for working capital and stockpiling were increased. As a result, there is less chance that material shortages will force foreign trade organizations into unprofitable markets; rather, they will be able to take advantage of trade opportunities in the capitalistic world markets.

The investment structure is also undergoing a change. Up to now, the ratio between productive and nonproductive investments has been about 70:30. In the interest of better housing and transportation, this ratio has been changed to 60:40 in the 1954 budget.

The distribution of productive investments has also been changed, with agriculture, the food industry, and other light industries benefiting at the expense of heavy industry. Furthermore investments in heavy industry are calculated to aid agriculture. The actual expansion of heavy industry in 1954 resulted from the need of industrial establishments to liquidate idle assets, get production under way, and relieve the bottlenecks in mining and in the production of electricity.

Since public expenditures are a prerequisite for a high standard of living, reductions must be made with care. Because of the previous strengthening of military defense and the easing of international tensions, outlays for the armed forces will be cut. The result will be more funds for agriculture, education, public health, and wage increases in certain spheres.

Because of the over-all increase in national income, the total amount of expendable funds also has increased. The shift in appropriations, however, has caused a decrease in public outlays from 25 percent to 15 percent of the total expendable fund, thus allowing individual consumption to expand at an even greater rate.

An important aspect of the 1954 budget is the increased financial independence which is to be given to the local councils. Although the over-all national budget expenditures were decreased somewhat, the planned expenditures of the local councils were increased by about 20 percent, with social, economic, and cultural projects benefiting the most.

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The table below compares the 1953 and 1954 distributions of appropriations for the local councils:

Budgetary Branch	Appropriations (in million forints) 1953 (actual)	1954 (budgeted)	Increase (in %)
Economic	1,699	2,089	23.0
Cultural	1,371	1,653	20.5
Social	1,225	1,554	23.9
Law Enforcement	56	65	16.0
Administrative	950	955	0.5

The greatest gains appear in the social branch, in the form of larger and better-equipped day nurseries, hospitals, maternity homes, and homes for the incapacitated.

In the economic branch, appropriations for projects were increased by 50 percent, the bulk of which is to be spent for road and bridge maintenance, sanitation, and improvement of the water supply. Local agriculture, industry, and trade are also to benefit.

The major part of the increase in cultural appropriations will go to the general schools. Day nurseries and kindergartens are to have accommodations for 158,600 children this year. Village civic centers and libraries are also to be expanded.

Although national administrative expenses have been reduced from 18 percent of the 1953 budget to 15 percent of the 1954 budget, there is a slight increase in the allocation for the administrative staffs of the local councils. Despite the over-all decrease, administrative staff are too large; they cost the government about 2 billion forints, or 4 percent of the budget. Higher administrative organs should be abolished and greater authority given to the local councils, which can deal more promptly and economically with local problems.

The success of the government depends largely on the implementation of the 1954 budget, which, in turn, depends largely on the reduction of production costs.

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